ORKNEY ISLANDS COUNCIL

Item: 1

Harbour Authority Sub-committee: 26 August 2026.

Revenue Expenditure Outturn.

Report by Head of Finance.

1. Overview

1.1. This report presents the revenue financial outturn position as at 31 March 2026 in respect of the Scapa Flow Oil Port and Miscellaneous Piers and Harbours.

1.2. On 4 March 2025, the Council set its overall revenue budget for financial year 2025/26. On 17 June 2025, the Policy and Resources Committee recommended approval of the detailed revenue budgets for 2025/26, which form the basis of the individual revenue expenditure monitoring reports.

1.3. Individual revenue expenditure monitoring reports are circulated every month to inform elected members of the up-to-date financial position. Quarterly revenue expenditure monitoring reports are presented to individual service committees.

1.4. In terms of revenue spending, at an individual cost centre level, budget holders are required to provide an explanation of the causes of each material variance and to identify appropriate corrective actions to remedy the situation.

1.5. Material variances are identified automatically as Priority Actions within individual budget cost centres according to the following criteria:

- Variance of £10,000 and more than 110% or less than 90% of anticipated position (1B).
- Not more than 110% or less than 90% of anticipated position but variance greater than £50,000 (1C).

1.6. Priority Actions can be identified at the Service Function level according to the same criteria and these are shown in the Revenue Expenditure Statements. As with individual cost centre variances, each of these Priority Actions requires an explanation and corrective action to be identified and these are shown in the Budget Action Plan.

1.7. The details have been provided following consultation with the relevant Directors and their staff.

1.8. The figures quoted within the Budget Action Plan by way of the underspend (-) and overspend position will always relate to the position within the current month.

2. Recommendations

2.1. It is recommended that members of the Sub-committee:

i. Note the revenue financial summary statement in respect of the Scapa Flow Oil Port and Miscellaneous Piers and Harbours for the period 1 April 2025 to 31 March 2026, attached as Annex 1 to this report, indicating a budget surplus position of £206,100.

ii. Note the revenue financial service area statement in respect of the Scapa Flow Oil Port and Miscellaneous Piers and Harbours for the period 1 April 2025 to 31 March 2026, attached as Annex 2 to this report.

iii. Note the explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to this report.

For Further Information please contact:
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Implications of Report

1. **Financial** The Financial Regulations state that Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.
2. **Legal** Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.
3. **Corporate Governance** In terms of the Scheme of Administration, monitoring, on a quarterly basis, the levels of revenue expenditure incurred against approved budgets, in respect of each of the service areas for which the Sub-committee is responsible is referred to the Harbour Authority Sub-committee.
4. **Human Resources** N/A
5. **Equalities** Equality Impact Assessment is not required for financial monitoring.
6. **Island Communities Impact** Island Communities Impact Assessment is not required for financial monitoring.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:

   ☐Growing our economy.

☐Strengthening our Communities.

☐Developing our Infrastructure.

☐Transforming our Council.

8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:

   ☐Cost of Living.

   ☐Sustainable Development.

   ☐Local Equality.
   ☐Improving Population Health.
9. **Environmental and Climate Risk** N/A
10. **Risk** N/A
11. **Procurement** N/A
12. **Health and Safety** N/A
13. **Property and Assets** N/A
14. **Information Technology** N/A
15. **Cost of Living** N/A

List of Background Papers

Policy and Resources Committee, 25 February 2025, Budget and Council Tax Level for 2025/26.
Policy and Resources Committee, 17 June 2025, Detailed Revenue Budgets.

Annexes

Annex 1: Financial Summary.
Annex 2: Financial Detail by Service Area.
Annex 3: Budget Action Plan.

Annex 1: Financial Summary

March 2026

The table below provides a summary of the position across all Service Areas.

Non-General Fund **Service Area**	**Spend £000**	**Budget £000**	**Over/(Under) £000**	**Spend %**	**Annual Budget £000**
Scapa Flow Oil Port	(2,444.2)	(353.9)	(2,090.3)	690.6	(353.9)
Miscellaneous Piers & Harbours	(330.6)	(2,214.8)	1,884.2	14.9	(2,214.8)
	(2,774.8)	**(2,568.7)**	**(206.1)**	**108.0**	**(2,568.7)**
Service Totals	**(2,774.8)**	**(2,568.7)**	**(206.1)**	**108.0**	**(2,568.7)**

The following tables show the spending position by service function

Non-General Fund

Scapa Flow Oil Port	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Administration - SF	**1B**	1,001.9	1,119.6	(117.7)	89.5	1,119.6
Environmental Unit	**1B**	(100.3)	(36.7)	(63.6)	273.3	(36.7)
Marine Officers & Pilots		774.6	777.0	(2.4)	99.7	777.0
Navigation	**1B**	66.8	103.8	(37.0)	64.4	103.8
Weather Forecasts		5.3	7.9	(2.6)	67.1	7.9
Harbour Launches		737.7	697.6	40.1	105.7	697.6
Towage Services	**1C**	3,173.8	3,469.4	(295.6)	91.5	3,469.4
Harbour Dues	**1B**	(10,116.6)	(8,508.8)	(1,607.8)	118.9	(8,508.8)
Scapa Flow Development		240.8	226.7	14.1	106.2	226.7
Oil Pollution		147.2	153.0	(5.8)	96.2	153.0
Accounting for Pensions	**1B**	11.9	(427.5)	439.4	N/A	(427.5)
Movement in Reserves	**1B**	745.6	365.5	380.1	204.0	365.5
Non Distributed Costs		2.6	2.6	0.0	100.0	2.6
Finance Charges - SF	**1B**	864.5	1,696.0	(813.5)	51.0	1,696.0
Service Total		**(2,444.2)**	**(353.9)**	**(2,090.3)**	**690.6**	**(353.9)**

Miscellaneous Piers & Harbours	PA	Spend £000	Budget £000	Over/(Under) £000	Spend %	Annual Budget £000
Piers	**1B**	(5,343.1)	(4,073.1)	(1,270.0)	131.2	(4,073.1)
Environmental Unit		(66.5)	(62.1)	(4.4)	107.1	(62.1)
Marine Officers & Pilots		827.1	808.5	18.6	102.3	808.5
Navigation		46.7	37.6	9.1	124.2	37.6
Weather Forecasts		0.0	7.8	(7.8)	0.0	7.8
Harbour Launches	**1B**	829.4	936.9	(107.5)	88.5	936.9
Administration - MP		616.0	653.1	(37.1)	94.3	653.1
Miscellaneous Piers Development		286.6	302.2	(15.6)	94.8	302.2
Oil Pollution	**1B**	81.5	123.6	(42.1)	65.9	123.6
Accounting for Pensions	**1B**	11.9	(426.7)	438.6	N/A	(426.7)
Pilotage Income		(831.1)	(825.0)	(6.1)	100.7	(825.0)
Movement in Reserves	**1B**	876.4	(2,095.7)	2,972.1	N/A	(2,095.7)
Non Distributed Costs		2.6	2.6	0.0	100.0	2.6
Finance Charges - MP	**1B**	2,331.95	2,395.5	(63.6)	97.3	2,395.5
Service Total		**(330.6)**	**(2,214.8)**	**1,884.2**	**14.9**	**(2,214.8)**

Annex 3: Budget Action Plan

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R52A	**Administration – SF** Less than anticipated expenditure by £117.7K	Laura Cromarty	Variance due to a movement on bad debt provision at year-end and staff vacancies.	No action required.
R52B	**Environmental Unit** More than anticipated income by £63.7K	Laura Cromarty	The environmental levy is charged on vessels entering Orkney waters and is difficult to predict and has resulted in additional income.	Additional income is beneficial and the budget setting for 2026/27 reflects increased income.
R52D	**Navigation** Less than anticipated expenditure by £37.0K	Laura Cromarty	Works not completed in 2025/26 and still outstanding due to staff shortages.	In future, monitor contractors more closely and, if necessary, process virements to align budget more closely to actuals.
R52G	**Towage Services** More than anticipated income by £295.6K	Laura Cromarty	Overspend from drydocks in 2025/26 have been offset by additional income received during the financial year.	Lessons learnt from drydock will improve future budgeting.

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R52I	**Harbour Dues** More than anticipated income by £1,607.8K	Laura Cromarty	Budget was set for 12 Flotta tankers and there were 14. There were also more Ship-to-Ship operations than budgeted for.	Oil industry is volatile and unpredictable. Being busier than expected can only be seen as a positive.
R52N	**Accounting for Pensions** Less than anticipated income by £439.4K	Erik Knight	Variance reflects the Scapa Flow Oil Port share of Pension Fund Actuarial Statement movement as at 31 March 2026 and cannot be predicted and therefore makes the budget difficult to predict.	Continue to monitor. Full triennial valuation currently being undertaken.
R52U	**Movement in Reserves** More than anticipated expenditure by £380.1K	Erik Knight	Cost includes the principal repayment of loan debt of £777k. Year-end accounting entries for disposals, holiday accruals and pension movements make up remainder of the total.	2026/27 budget setting included forecasts which should more accurately reflect the loan debt repayments and capital funded from current revenue (CFCR) and, if not avoid, reduce future variances.
R52Y	**Finance Charges** Less than anticipated expenditure by £813.5K	Erik Knight	The budget for interest charges on capital debt and capital works financed in-year is greater than actually required.	2026/27 budget setting includes forecasts which should more accurately reflect the interest on outstanding loan balances; however, this budget also includes the funding of the annual improvement programme, and that programme of works has been subject to delay over recent years.

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R53A	**Piers** Less than anticipated expenditure by £1,270.0K	Laura Cromarty	Fewer repairs and maintenance than budgeted in 2025/26 which is detailed within the Revenue Maintenance Programme – Expenditure Outturn report.	No action required.
R53F	**Harbour Launches** Less than anticipated expenditure by £107.5K	Laura Cromarty	Staff vacancies contributed to this underspend.	Recruitment on-going and progressing slowly.
R53M	**Oil Pollution** More than anticipated income by £42.1K	Laura Cromarty	Staff vacancies contributed to the overall underspend. Income from waste goes to this code and it has exceeded budget for 2025/26.	Recruitment has since been successful. Going forward, ensure all income budgets are reviewed well in advance of the budget-setting process.
R53N	**Accounting for Pensions** Less than anticipated income by £438.6K	Erik Knight	Variance reflects the Miscellaneous Piers share of Pension Fund Actuarial Statement movement as at 31 March 2026 and cannot be predicted and therefore makes the. budget difficult to predict.	Continue to monitor. Full triennial valuation currently being undertaken.

Service Function	Service Description	Responsible Officer	Variance Reason	Action Notes
R53U	**Movement in Reserves** Less than anticipated income by £2,972.1K	Erik Knight	Budget included contribution from the Miscellaneous Piers Repairs and Maintenance Fund. Unfortunately, the level of activity in this area resulted in none of this being required. Similarly, capital works financed from in-year funds was lower than anticipated.	2026/27 budget setting included forecasts which should more accurately reflect the loan debt repayments and capital funded from current revenue (CFCR) and, if not avoid, reduce future variances.
R53Y	**Finance Charges - MP** Less than anticipated expenditure by £63.6K	Erik Knight	Interest charges of £422k is below budgeted levels. Finance charges include the development and Pre Construction Services Agreement (PCSA) costs, and income, for Scapa Deep Water Quay and Hatston Pier Capital Project Appraisal (CPA) cost.	2026/27 budget setting included forecasts which should more accurately reflect the interest on outstanding loan balances and, if not avoid, reduce future variances.